

OLIN CONSOLIDATED SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND SCHEDULE OF FINDINGS

JUNE 30, 2015

# OLIN CONSOLIDATED SCHOOL DISTRICT

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OLIN CONSOLIDATED SCHOOL DISTRICT  
Officials  
June 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Kevin Hirl	Board President	2015
Mike Hansen	Board Vice President	2017
Terry Hamilton	Board Member	2015
Renae Hansen	Board Member	2015
Rosanne Brown	Board Member	2017
<b>School Officials</b>		
Sharon Dickman	Superintendent	2015
Carrie Fortin	District Secretary/Treasurer and Business Manager	Indefinite
Ahlers & Cooney, P.C.	Attorney	Indefinite

# Kay L. Chapman, CPA PC

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Muscatine, Iowa 52761  
563-264-1385  
kchapman@cpakay.com

## Independent Auditor's Report

To the Board of Education of  
Olin Consolidated School District:

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Olin Consolidated School District, Olin, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Olin Consolidated School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Emphasis of Matter

As discussed in Note 13 to the financial statements, Olin Consolidated School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. My opinions are not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 48 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Olin Consolidated School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated February 17, 2016 on my consideration of Olin Consolidated School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Olin Consolidated School District's internal control over financial reporting and compliance.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
February 17, 2016

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Olin Consolidated School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,819,204 in fiscal 2014 to \$2,893,069 in fiscal 2015, and General Fund expenditures increased from \$2,738,017 in fiscal 2014 to \$2,809,583 in fiscal 2015. The District's General Fund balance increased from \$40,038 in fiscal 2014 to \$123,524 in fiscal 2015, a 209% increase.
- The increase in General Fund revenues was attributable to the following: Official enrollment in the fall of 2013 increased by 5.4 students, which increased the state aid and property taxes for the 2014-15 school year. Cash reserve is also being levied to improve the district's solvency ratio.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Olin Consolidated School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Olin Consolidated School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Olin Consolidated School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.



Supplementary Information provides detailed information about the nonmajor governmental funds and nonmajor Enterprise Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

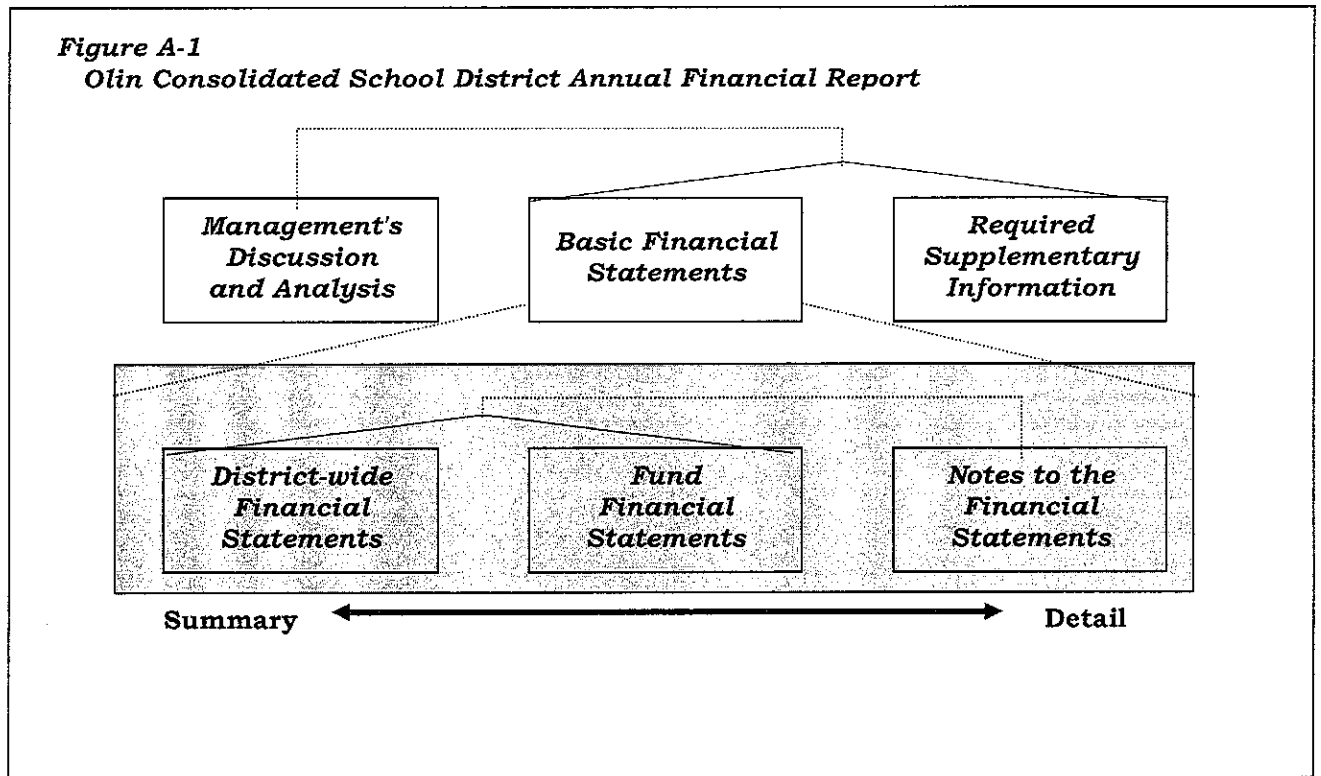


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

***Major Features of the Government-wide and Fund Financial Statements***

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and preschool	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector

companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and preschool program are included here.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds and the Capital Projects Funds.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Preschool Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of a Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3  
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Current and other assets	\$ 2,871,980	\$ 2,656,043	\$ 3,523	\$ 4,559	\$ 2,875,503	\$ 2,660,602	8.08%
Capital assets	1,695,609	1,615,188	17,111	19,195	1,712,720	1,634,383	4.79%
Total assets	4,567,589	4,271,231	20,634	23,754	4,588,223	4,294,985	6.83%
Deferred outflows of resources	39,032	-	2,984	-	42,016	-	100.00%
Long-term liabilities	656,814	69,628	9,125	-	665,939	69,628	856.42%
Other liabilities	438,274	396,338	41,591	48,864	479,865	445,202	7.79%
Total liabilities	1,095,088	465,966	50,716	48,864	1,145,804	514,830	122.56%
Deferred inflows of resources	1,700,216	1,413,871	6,054	-	1,706,270	1,413,871	20.68%
Net Position							
Net investment in							
capital assets	1,695,609	1,615,188	17,111	19,195	1,712,720	1,634,383	4.79%
Restricted	1,029,847	910,330	-	-	1,029,847	910,330	13.13%
Unrestricted	(914,139)	(134,124)	(50,263)	(44,305)	(964,402)	(178,429)	-441.0%
Total Net Position	\$ 1,811,317	\$ 2,391,394	\$ (33,152)	\$ (25,110)	\$ 1,778,165	\$ 2,366,284	-24.85%

The District's total net position decreased by approximately 25%, or \$588,119, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$119,517, or approximately 13% over the prior year. The increase is in categorical funds within the General Fund. The Management Fund balance also increased \$50,711.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$785,973, or approximately 441%. This decrease in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$852,565 and \$9,958, respectively, to retroactively, report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4 Change in Net Position							
	Governmental Activities		Business Type Activities		Total District		Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Revenues							
Program revenues							
Charges for service	\$ 74,855	\$ 90,538	\$ 26,626	\$ 30,617	\$ 101,481	\$ 121,155	-16.24%
Operating grants, contributions & restricted interest	410,278	410,912	68,880	45,629	479,158	456,541	4.95%
General revenues							
Property tax	1,515,751	1,472,741	-	-	1,515,751	1,472,741	2.92%
Statewide sales, services and use tax	221,547	201,449	-	-	221,547	201,449	9.98%
Unrestricted state grants	1,111,338	1,028,934	-	-	1,111,338	1,028,934	8.01%
Unrestricted investment earnings	769	196	-	-	769	196	292.35%
Other	3,567	27,018	-	-	3,567	27,018	-86.80%

Special item	<u>-</u>	<u>5,203</u>	<u>801</u>	<u>3,932</u>	<u>801</u>	<u>9,135</u>	-91.23%
Total revenues and special item	<u>3,338,105</u>	<u>3,236,991</u>	<u>96,307</u>	<u>80,178</u>	<u>3,434,412</u>	<u>3,317,169</u>	3.53%
Program expenses							
Governmental activities							
Instruction	2,006,817	2,095,865	-	-	2,006,817	2,095,865	-4.25%
Support services	805,342	783,741	-	-	805,342	783,741	2.76%
Non-instructional programs	5,141	6,333	94,391	116,690	99,532	123,023	-19.09%
Other	215,665	298,633	-	-	215,665	298,633	-27.78%
Special item - loss on disposal of capital assets	<u>32,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,652</u>	<u>-</u>	100.00%
Total expenses and special item	<u>3,065,617</u>	<u>3,184,572</u>	<u>94,391</u>	<u>116,690</u>	<u>3,160,008</u>	<u>3,301,262</u>	-4.28%
Change in net position	272,488	52,419	1,916	(36,512)	274,404	15,907	1625.05%
Net position, beginning of year, as restated	<u>1,538,829</u>	<u>2,338,975</u>	<u>(35,068)</u>	<u>11,402</u>	<u>1,503,761</u>	<u>2,350,377</u>	-36.02%
Net position, end of year	<u>\$1,811,317</u>	<u>\$ 2,391,394</u>	<u>\$(33,152)</u>	<u>\$ (25,110)</u>	<u>\$1,778,165</u>	<u>\$ 2,366,284</u>	-24.85%

In fiscal year 2015, property tax and unrestricted state grants accounted for approximately 79% of governmental activities revenue while charges for service and sales and operating grants and contributions accounted for 95% of business type activities revenue. The District's total revenues were \$3,434,412 of which \$3,338,105 was for governmental activities and \$96,307 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4% increase in revenues and a 4% decrease in expenses. In the fall of 2013 the district enrollment increased by 5.4 students. That was the main reason for increased revenue. The District did some staff reductions which decreased our expenditures.

### **Governmental Activities**

Revenues for governmental activities were \$3,338,105 and expenses were \$3,065,617 for the year ended June 30, 2015. The District continued class sharing arrangements and staff sharing with neighboring districts.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5

## Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014- 2015	2015	2014 (Not restated)	Change 2014- 2015
Instruction	\$ 2,006,817	\$ 2,095,865	-4.2%	\$ 1,619,712	\$ 1,697,167	-4.6%
Support services	805,342	783,741	2.8%	804,875	776,344	3.7%
Non-instructional programs	5,141	6,333	-18.8%	4,915	6,333	-22.4%
Other	<u>215,665</u>	<u>298,633</u>	-27.8%	<u>118,330</u>	<u>203,278</u>	-41.8%
Total	<u>\$ 3,032,965</u>	<u>\$ 3,184,572</u>	-4.8%	<u>\$ 2,547,832</u>	<u>\$ 2,683,122</u>	-5.0%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$74,855.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$410,278.
- The net cost of governmental activities was financed with \$1,737,298 in property and other taxes and \$1,111,338 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$96,307 representing a 21% increase over the prior year while expenses totaled \$94,391, a 20% decrease from the prior year. School Nutrition started participation in the CEP "Community Eligibility Provision" which increased revenue slightly. The school nutrition also made staff changes to reduce expenditures. The Preschool enrollment increased which reflects in higher revenue.

### INDIVIDUAL FUND ANALYSIS

As previously noted, Olin Consolidated School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$852.279, well above last year's ending fund balances of \$739.005. General Fund and Management Fund balances increased.

### Governmental Fund Highlights

- The General Fund balance increased from \$40,038 in 2014 to \$123,524 in 2015, due to staff reductions.
- The Statewide Sales, Services and Use Tax Fund balance decreased to \$446,115 in 2015 from \$472,836 in 2014 due to many building remodeling projects being done.

## **Proprietary Fund Highlights**

Enterprise Fund net position increased from \$(35,068) at June 30, 2014 to \$(33,152) at June 30, 2015, representing an increase of approximately 6%. For fiscal 2015, the District began participating in the Community Eligibility Provision. This program reimbursed to all student meals, which increased revenue. The District also reduces some staff hours in order to reduce expenses. The District also reflected the related expenses for the pension liability, which caused a reduction of net position.

## **BUDGETARY HIGHLIGHTS**

During the year ended June 30, 2015, Olin Consolidated School District did not amend its annual budget.

The District's total revenues were \$67,772 less than total budgeted revenues, a variance of approximately 2%. The most significant variance resulted from less local and state sources than projected.

Total expenditures were \$136,104 less than budgeted, due primarily to the District's budget for all funds. It is the District's practice to budget expenditures at the maximum authorized spending authority for all funds. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area, due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2015, the District had invested \$1,712,720, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 5% over last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$66,091.

The original cost of the District's capital assets was \$3,650,867. Governmental funds account for \$3,599,562, with the remainder of \$51,305 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the site improvements category. The District's site improvements category was \$61,621 at June 30, 2014 compared to \$90,983 at June 30, 2015. The increase was due to the new Pre-Kindergarten playground equipment.



Figure A-6

## Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014- 2015
Land and improvements	\$ 61,296	\$ 61,296	\$ -	\$ -	\$ 61,296	\$ 61,296	0.00%
Buildings and improvements	1,254,605	1,208,550	-	-	1,254,605	1,208,550	3.81%
Site improvements	90,983	61,621	-	-	90,983	61,621	47.65%
Furniture and equipment	<u>288,725</u>	<u>283,721</u>	<u>17,111</u>	<u>19,195</u>	<u>305,836</u>	<u>302,916</u>	0.96%
Totals	<u>\$1,695,609</u>	<u>\$1,615,188</u>	<u>\$17,111</u>	<u>\$19,195</u>	<u>\$1,712,720</u>	<u>\$1,634,383</u>	4.79%

**Long-Term Debt**

At June 30, 2015, the District had \$665,939 of total long-term debt outstanding. This represents a decrease of approximately 35% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$4.2 million.

Figure A-7

## Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2015	2014 (restated)	2014-2015
Governmental activities			
Termination benefits	\$ -	\$ 22,922	-100.00%
Net pension liability	599,197	937,869	-36.11%
Net OPEB liability	<u>57,617</u>	<u>46,706</u>	23.36%
	656,814	1,007,497	-34.81%
Business type activities			
Net pension liability	<u>9,125</u>	<u>14,282</u>	-36.11%
Total	<u>\$665,939</u>	<u>\$1,021,779</u>	-34.83%

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which could significantly affect its financial health in the future:

- The District experienced an increase in enrollment. The District's enrollment in September 2014 increased by 2.2 which will affect the 15-16 budget.
- Wage settlements with the Olin Education Association (OEA) average 4% increase annually. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- Starting with the 2012-13 school year the district entered into a three year whole-grade sharing agreement for grades 7-12 to attend the Anamosa Community School. That agreement was renewed for the 2015-16 school year for another three years.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carrie Fortin, District Secretary/Treasurer and Business Manager, Olin Consolidated School District, 212 Trilby Street, PO Box 320, Olin, IA 52320.

## Basic Financial Statements

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2015

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 1,125,541	\$ -	\$1,125,541
Receivables			
Property tax			
Delinquent	36,256	-	36,256
Succeeding year	1,474,281	-	1,474,281
Accounts receivable	11,039	-	11,039
Income surtax	107,146	-	107,146
Due from other governments	82,637	-	82,637
Due from other funds	35,080	-	35,080
Inventories	-	3,523	3,523
Non-depreciable capital assets	61,296	-	61,296
Capital assets, net of accumulated depreciation	<u>1,634,313</u>	<u>17,111</u>	<u>1,651,424</u>
Total assets	<u>4,567,589</u>	<u>20,634</u>	<u>4,588,223</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	<u>39,032</u>	<u>2,984</u>	<u>42,016</u>
<b>Liabilities</b>			
Accounts payable	77,484	-	77,484
Salaries and benefits payable	128,029	5,916	133,945
Due to other fund	-	35,080	35,080
Due to other governments	232,761	-	232,761
Unearned revenue	-	595	595
Long-term liabilities			
Portion due after one year			
Net pension liability	599,197	9,125	608,322
Net OPEB liability	<u>57,617</u>	<u>-</u>	<u>57,617</u>
Total liabilities	<u>1,095,088</u>	<u>50,716</u>	<u>1,145,804</u>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	1,474,281	-	1,474,281
Pension related deferred inflows	<u>225,935</u>	<u>6,054</u>	<u>231,989</u>
Total deferred inflows of resources	<u>1,700,216</u>	<u>6,054</u>	<u>1,706,270</u>
<b>Net Position</b>			
Net investment in capital assets	1,695,609	17,111	1,712,720
Restricted for			
Categorical funding	301,092	-	301,092
Student activities	26,236	-	26,236
Management levy purposes	121,414	-	121,414
Physical plant and equipment	110,490	-	110,490
Public education and recreation	24,500	-	24,500
School infrastructure	446,115	-	446,115
Unrestricted	<u>(914,139)</u>	<u>(50,263)</u>	<u>(964,402)</u>
Total net position	<u>\$ 1,811,317</u>	<u>\$(33,152)</u>	<u>\$1,778,165</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2015

Exhibit B

Functions/Programs Governmental activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest		Governmental Activities	Business Type Activities	Total
				Capital Grants, Contributions and Restricted Interest			
Instruction							
Regular instruction	\$ 1,302,286	\$ 62,621	\$ 290,152	\$ -	\$ (949,513)	\$ -	\$ (949,513)
Special instruction	536,226	-	21,914	-	(514,312)	-	(514,312)
Other instruction	168,305	11,948	470	-	(155,887)	-	(155,887)
	<u>2,006,817</u>	<u>74,569</u>	<u>312,536</u>	<u>-</u>	<u>(1,619,712)</u>	<u>-</u>	<u>(1,619,712)</u>
Support services							
Student	74,740	-	-	-	(74,740)	-	(74,740)
Instructional staff	31,185	-	-	-	(31,185)	-	(31,185)
Administration	312,100	-	-	-	(312,100)	-	(312,100)
Operation and maintenance of plant	224,895	-	-	-	(224,895)	-	(224,895)
Transportation	162,422	60	407	-	(161,955)	-	(161,955)
	<u>805,342</u>	<u>60</u>	<u>407</u>	<u>-</u>	<u>(804,875)</u>	<u>-</u>	<u>(804,875)</u>
	<u>5,141</u>	<u>226</u>	<u>-</u>	<u>-</u>	<u>(4,915)</u>	<u>-</u>	<u>(4,915)</u>
Non-instructional programs							
Other expenses							
Facilities acquisition	77,926	-	-	-	(77,926)	-	(77,926)
AEA flowthrough	97,335	-	97,335	-	-	-	-
Depreciation (unallocated) *	40,404	-	-	-	(40,404)	-	(40,404)
	<u>215,665</u>	<u>-</u>	<u>97,335</u>	<u>-</u>	<u>(118,330)</u>	<u>-</u>	<u>(118,330)</u>
Total governmental activities	<u>3,032,965</u>	<u>74,855</u>	<u>410,278</u>	<u>-</u>	<u>(2,547,832)</u>	<u>-</u>	<u>(2,547,832)</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2015

Exhibit B

**Functions/Programs (continued)**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>	<u>Activities</u>
Business type activities						
Non-instructional programs						
Food service operations	\$ 76,830	\$ 6,371	\$ 68,880	\$ -	\$ -	\$ (1,579)
Preschool program	17,561	20,255	-	-	-	2,694
Total business type activities	94,391	26,626	68,880	-	-	1,115
Total	<u>\$ 3,127,356</u>	<u>\$ 101,481</u>	<u>\$ 479,158</u>	<u>\$ -</u>	<u>(2,547,832)</u>	<u>1,115</u>
						<u>(2,546,717)</u>
<b><u>General Revenues</u></b>						
Property tax levied for						
General purposes						
Public education and recreation						
Capital outlay						
Statewide sales, services and use tax						
Unrestricted state grants						
Unrestricted investment earnings						
Other						
Special item - capital contribution						
Special item - loss on sale of capital asset						
Total general revenues and special items						
Change in net position						
Net position beginning of year, as restated						
Net position end of year						

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT

Exhibit C

Balance Sheet  
Governmental Funds  
June 30, 2015

	General	Capital Projects Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 379,918	\$470,265	\$ 275,358	\$1,125,541
Receivables				
Property tax				
Delinquent	30,981	-	5,275	36,256
Succeeding year	1,249,949	-	224,332	1,474,281
Accounts receivable	4,396	-	6,643	11,039
Income surtax	107,146	-	-	107,146
Due from other governments	48,012	34,625	-	82,637
Due from other funds	35,080	-	-	35,080
Total assets	<u>\$1,855,482</u>	<u>\$504,890</u>	<u>\$ 511,608</u>	<u>\$2,871,980</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 14,494	\$ 58,775	\$ 4,215	\$ 77,484
Due to other governments	232,761	-	-	232,761
Salaries and benefits payable	127,608	-	421	128,029
Total liabilities	<u>374,863</u>	<u>58,775</u>	<u>4,636</u>	<u>438,274</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue				
Succeeding year property tax	1,249,949	-	224,332	1,474,281
Income surtax	107,146	-	-	107,146
Total deferred inflows of resources	<u>1,357,095</u>	<u>-</u>	<u>224,332</u>	<u>1,581,427</u>
<b>Fund balances</b>				
Restricted for				
Categorical funding	301,092	-	-	301,092
School infrastructure	-	446,115	-	446,115
Physical plant and equipment	-	-	110,490	110,490
Student activities	-	-	26,236	26,236
Management levy purposes	-	-	121,414	121,414
Public education and recreation	-	-	24,500	24,500
Unassigned	(177,568)	-	-	(177,568)
Total fund balances	<u>123,524</u>	<u>446,115</u>	<u>282,640</u>	<u>852,279</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$1,855,482</u>	<u>\$504,890</u>	<u>\$ 511,608</u>	<u>\$2,871,980</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position  
June 30, 2015

Exhibit D

<b>Total fund balances of governmental funds</b>	<b>\$ 852,279</b>
<b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,695,609
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	107,146
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:	
Deferred outflows of resources	\$ 39,032
Deferred inflows of resources	<u>(225,935)</u> (186,903)
Long-term liabilities, including termination benefits payable and other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(656,814)</u>
<b>Net position of governmental activities</b>	<b><u>\$1,811,317</u></b>

See notes to financial statements.



OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2015

Exhibit E

		Capital Projects Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total
Revenues	General			
Local sources				
Local tax	\$ 1,308,490	\$ -	\$206,318	\$1,514,808
Tuition	12,468	-	-	12,468
Other	49,963	298	16,464	66,725
State sources	1,453,830	221,547	92	1,675,469
Federal sources	68,318	-	-	68,318
Total revenues	<u>2,893,069</u>	<u>221,845</u>	<u>222,874</u>	<u>3,337,788</u>
Expenditures				
Current				
Instruction				
Regular	1,341,987	-	5,149	1,347,136
Special	545,700	-	-	545,700
Other	153,673	-	17,606	171,279
	<u>2,041,360</u>	<u>-</u>	<u>22,755</u>	<u>2,064,115</u>
Support services				
Student	76,206	-	-	76,206
Instructional staff	24,232	-	-	24,232
Administration	259,029	-	57,189	316,218
Operation & maintenance of plant	171,209	13,936	55,980	241,125
Transportation	140,212	25,292	4,090	169,594
	<u>670,888</u>	<u>39,228</u>	<u>117,259</u>	<u>827,375</u>
Non-instructional programs	-	-	5,421	5,421
Other expenditures				
Facilities acquisition	-	209,338	20,930	230,268
AEA flowthrough	97,335	-	-	97,335
	<u>97,335</u>	<u>209,338</u>	<u>20,930</u>	<u>327,603</u>
Total expenditures	<u>2,809,583</u>	<u>248,566</u>	<u>166,365</u>	<u>3,224,514</u>
Change in fund balance	83,486	(26,721)	56,509	113,274
Fund balance, beginning of year	40,038	472,836	226,131	739,005
Fund balance, end of year	<u>\$ 123,524</u>	<u>\$446,115</u>	<u>\$282,640</u>	<u>\$ 852,279</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2015

Exhibit F

**Change in fund balances - total governmental funds** \$113,274

**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense for the current year, are as follows:

Expenditures for capital assets	\$176,278	
Loss on disposal of capital assets	(32,652)	
Depreciation expense	<u>(63,205)</u>	80,421

Certain revenues not collected for several months after year-end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds.	317
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Termination benefits	22,922	
Pension expense	(23,395)	
Other postemployment benefits	<u>(10,911)</u>	<u>(11,384)</u>

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.	<u>89,860</u>
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**Change in net position of governmental activities** \$272,488

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Net Position  
Proprietary Funds  
June 30, 2015

Exhibit G

	<u>Nonmajor Enterprise</u>
<b>Assets</b>	
Current assets	
Inventories	\$ 3,523
Noncurrent assets	
Capital assets, net of accumulated depreciation	17,111
Total assets	<u>20,634</u>
 <b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	<u>2,984</u>
 <b>Liabilities</b>	
Current liabilities	
Due to other fund	35,080
Salaries and benefits payable	5,916
Unearned revenue	595
Total current liabilities	<u>41,591</u>
Noncurrent liabilities	
Net pension liability	9,125
Total liabilities	<u>50,716</u>
 <b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	<u>6,054</u>
 <b>Net Position</b>	17,111
Investment in capital assets	(50,263)
Unrestricted	<u>\$ (33,152)</u>
Total net position	

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2015

Exhibit H

	<u>Nonmajor Enterprise</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 26,626</u>
Operating expenses	
Instruction	
Regular	
Salaries	12,638
Benefits	4,923
	<u>17,561</u>
Support services	
Administration	
Purchased services	<u>235</u>
Non-instructional programs	
Salaries and benefits	29,348
Benefits	2,807
Supplies	41,554
Depreciation	2,886
	<u>76,595</u>
Total operating expenses	94,391
Operating loss	<u>(67,765)</u>
Non-operating revenues	
State sources	678
Federal sources	68,202
Total non-operating revenues	<u>68,880</u>
Net income before capital contributions	1,115
Capital contribution	<u>801</u>
Change in net position	1,916
Net position beginning of year, as restated	<u>(35,068)</u>
Net position end of year	<u>\$(33,152)</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2015

Exhibit I

	<u>Nonmajor Enterprise</u>
Cash flows from operating activities	
Cash received from sale of services	\$ 26,900
Cash payments to employees for services	(54,784)
Cash payments to suppliers for goods and services	(37,930)
Net cash (used in) operating activities	<u>(65,814)</u>
Cash flows from non-capital financing activities	
State grants received	678
Federal grants received	65,136
Net cash provided by non-capital financing activities	<u>65,814</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	<u>-</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>
 <b>Reconciliation of operating (loss) to net cash (used in) operating activities</b>	
Operating (loss)	\$(67,765)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities	
Depreciation	2,886
Commodities used	4,692
Decrease in accounts receivable	243
(Increase) in inventory	(833)
(Decrease) in salaries and benefits payable	(959)
(Decrease) in due to other funds	(2,022)
(Decrease) in net pension liability	(5,157)
(Increase) in deferred outflows of resources	(2,984)
Increase in deferred inflows of resources	6,054
Increase in unearned revenue	31
Net cash (used in) operating activities	<u><u>\$(65,814)</u></u>

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2015, the District received \$4,692 of federal commodities.

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2015

Exhibit J

	Private Purpose Trust <u>Scholarships</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$3,568
<b>Liabilities</b>	<u>-</u>
<b>Net Position</b>	
Reserved for scholarships	<u>\$3,568</u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Year Ended June 30, 2015

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Gifts and contributions	\$ 390
Interest	<u>2</u>
Total additions	392
Deductions	
Supplies	<u>285</u>
Change in net position	107
Net position, beginning of year	<u>3,461</u>
Net position end of year	<u><u>\$3,568</u></u>

See notes to financial statements.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2015

**Note 1. Summary of Significant Accounting Policies**

The Olin Consolidated School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Olin, Iowa, and the agricultural territory in Jones County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Olin Consolidated School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Olin Consolidated School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:



*Net investment in capital assets* consists of capital assets, net of accumulated depreciation.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Project - Statewide Sales, Services and Use Tax Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets from the revenue of the Statewide Sales, Services and Use Tax.

The District reports no major proprietary funds. However, it reports two nonmajor enterprise funds, the School Nutrition Fund which is used to account for the food service operations of the District and the Preschool Fund which is used to account for the preschool operations of the District.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund consists of the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and early retirement are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and improvements	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2015. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement

System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax and income surtax not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or lunches served.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Balances - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in the preceding classifications.

Net Position - In the district-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Net position restricted through enabling legislation includes \$121,414 for management levy purposes, \$110,490 for physical plant and equipment, \$24,500 for public education and recreation, \$26,236 for student activities and \$446,115 for school infrastructure.

**E. Budgeting and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures in the instruction functional area exceeded the amount budgeted.

**F. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 2. Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the IPAS education as follows:

	Amortized Cost
Institutional Money Market Fund	\$1,106,704

At June 30, 2015, the District had investments in the IPAS Education Program (the Fund) which invests in liquid investments that are placed in an SEC-registered money market fund in accordance with 17 C.F.R Section 270. 2a-7. The investments are valued at fair market value, which approximates amortized cost.

Interest rate risk. Because the Fund invests in short-term securities, a decline in interest rates will affect the Fund's yields as these securities mature or are sold and the Fund purchases new short-term securities with lower yields. Generally, an increase in interest rates causes the value of a debt instrument to decrease. The change in value for shorter-term securities is usually smaller than for securities with longer maturities.

Credit risk. This is the risk that a security's credit rating will be downgraded or that the issuer of a security or a guarantor will default (fail to make scheduled interest and principal payments or fail to fulfill its promise to repurchase securities). The Fund invests in securities issued by the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac"). The entities, while chartered or sponsored by the U.S. Congress, are not funded by appropriations from the U.S. Congress and the debt or mortgage related securities issued by them are neither guaranteed nor insured by the United States Government. Nevertheless, the Fund will invest in only highly rated securities to minimize credit risk. This investment was not rated by Moody's Investor or Standard and Poor's Services.

### Note 3. Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Nonmajor Enterprise	
General	School Nutrition	\$ 21,180
General	Preschool	<u>13,900</u>
		<u>\$ 35,080</u>

The School Nutrition Fund and Preschool Fund had negative cash balances at June 30, 2015. Since they share a bank account with the General Fund, these negative cash balances are reported on the financial statements as interfund receivables and payables.

### Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land and improvements	\$ 61,296	\$ -	\$ -	\$ 61,296
Capital assets being depreciated:				
Buildings and improvements	2,093,379	116,458	(67,584)	2,142,253
Site improvements	131,043	35,884	-	166,927
Furniture and equipment	<u>1,238,964</u>	<u>23,936</u>	<u>(33,814)</u>	<u>1,229,086</u>
Total capital assets being depreciated	<u>3,463,386</u>	<u>176,278</u>	<u>(101,398)</u>	<u>3,538,266</u>
Less accumulated depreciation for:				
Buildings and improvements	884,829	37,751	(34,932)	887,648
Site improvements	69,422	6,522	-	75,944
Furniture and equipment	<u>955,243</u>	<u>18,932</u>	<u>(33,814)</u>	<u>940,361</u>
Total accumulated depreciation	<u>1,909,494</u>	<u>63,205</u>	<u>(68,746)</u>	<u>1,903,953</u>

Total capital assets being depreciated, net	<u>1,553,892</u>	<u>113,073</u>	<u>(32,652)</u>	<u>1,634,313</u>
Governmental activities capital assets, net	<u>\$ 1,615,188</u>	<u>\$ 113,073</u>	<u>\$(32,652)</u>	<u>\$ 1,695,609</u>

Business type activities

Furniture and equipment	\$ 53,893	\$ 802	\$ (3,390)	51,305
Less accumulated depreciation	<u>34,698</u>	<u>2,886</u>	<u>(3,390)</u>	<u>34,194</u>
Business type activities capital assets, net	<u>\$ 19,195</u>	<u>\$ (2,084)</u>	<u>\$ -</u>	<u>\$ 17,111</u>

Depreciation expense was charged to the following functions:

**Governmental activities**

Instruction	
Regular	\$ 1,460
Support services	
Instructional support	7,292
Administration	5,080
Operation and maintenance	1,277
Transportation	<u>7,692</u>
	22,801
Unallocated depreciation	<u>40,404</u>
Total governmental activities depreciation expense	<u>\$ 63,205</u>

**Business type activities**

Food services	<u>\$ 2,886</u>
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**Note 5. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
Termination benefits	\$ 22,922	\$ -	\$ 22,922	\$ -	\$ -
Net pension liability	937,869	-	338,672	599,197	-
Net OPEB liability	<u>46,706</u>	<u>10,911</u>	<u>-</u>	<u>57,617</u>	<u>-</u>
Totals	<u>\$ 1,007,497</u>	<u>\$ 10,911</u>	<u>\$ 361,594</u>	<u>\$ 656,814</u>	<u>\$ -</u>
Business type activities					
Net pension liability	<u>\$ 14,282</u>	<u>\$ -</u>	<u>\$ 5,157</u>	<u>\$ 9,125</u>	<u>\$ -</u>

There was no interest costs incurred and charged to expense during the year ended June 30, 2015.



## **Note 6. Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July, 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$90,592.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$608,322 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.015031 percent, which was a decrease of 0.001785 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$26,363. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 6,611	\$ -
Changes of assumptions	26,846	-
Net difference between projected and actual earnings on pension plan investments	-	231,989
Changes in proportion and differences between District contributions and proportionate share of contributions	(82,033)	-
District contributions subsequent to the measurement date	<u>90,592</u>	<u>-</u>
Total	<u>\$ 42,016</u>	<u>\$ 231,989</u>

\$90,592 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported

as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>	
2016	\$ (69,347)
2017	(69,347)
2018	(69,347)
2019	(69,347)
2020	(3,177)
Total	<u>\$ (280,565)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2014)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset</u>	Long-Term Expected
	<u>Allocation</u>	<u>Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$1,149,370	\$608,322	\$151,585

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPER's website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$10,188 for legally required employer contributions and \$6,788 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

## **Note 7. Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **Note 8. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$97,335 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## **Note 9. Contingencies**

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2015 significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

## **Note 10. Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. There are 15 active and 0 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 11,923
Interest on net OPEB obligation	1,168
Adjustment to annual required contribution	<u>(2,180)</u>
Annual OPEB cost	10,911
Contributions made	<u>-</u>
Increase in net OPEB obligation	10,911
Net OPEB obligation beginning of year	<u>46,706</u>
Net OPEB obligation end of year	<u>\$ 57,617</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed nothing to the medical plan. Plan members eligible for benefits contributed nothing to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	9,527	0.0%	36,899
2014	9,807	0.0%	46,706
2015	10,911	0.0%	57,617

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$58,982, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$58,982. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$995,000 and the ratio of UAAL to covered payroll was 5.9%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **Note 11. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

##### Program

Home school assistance program	\$ 5,193
Gifted and Talented	33,041
At-risk	85,403
Foster care program	3,933
Beginning teacher mentoring and induction program	945
Teacher salary supplement	148,221
Successful progression	11,286

Educator quality, professional development for model core curriculum	2,897
Educator quality, professional development	4,139
Educator quality, market factor incentives	997
Teacher leadership grants	<u>5,037</u>
	<u>\$ 301,092</u>

## **Note 12. Deficit Balances**

The District had the following fund deficits at June 30, 2015:

- General Fund, unrestricted \$177,568
- Governmental Activities, unrestricted \$914,139
- Business Type Activities, unrestricted \$50,263
- Business Type Activities, total net position \$33,152
- Proprietary Fund, unrestricted \$50,263
- Proprietary Fund, total net position \$33,152
- School Nutrition Fund, unrestricted \$35,875
- School Nutrition Fund, total net position \$18,764
- Preschool Fund, unrestricted \$14,388
- Preschool Fund, total net position \$14,388

## **Note 13. Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment to GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:



	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	\$ 2,391,394	\$ (25,110)
Net pension liability at June 30, 2014	(937,869)	(14,282)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>85,304</u>	<u>4,324</u>
Net position July 1, 2014, as restated	<u>\$ 1,538,829</u>	<u>\$ (35,068)</u>

## Required Supplementary Information

OLIN CONSOLIDATED SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual  
All Governmental Funds and Proprietary Funds  
Required Supplementary Information  
For the Year Ended June 30, 2015

	Governmental Funds		Proprietary Funds	Total	Budgeted Amounts		Final to Actual Variance
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
Revenues							
Local sources	\$1,594,001	\$ 26,626	\$1,620,627	\$1,620,627	\$1,858,985	\$1,858,985	\$(238,358)
State sources	1,675,469	678	1,676,147	1,676,147	1,497,909	1,497,909	178,238
Federal sources	68,318	68,202	136,520	136,520	144,172	144,172	(7,652)
Total revenues	<u>3,337,788</u>	<u>95,506</u>	<u>3,433,294</u>	<u>3,433,294</u>	<u>3,501,066</u>	<u>3,501,066</u>	<u>(67,772)</u>
Expenditures/Expenses							
Instruction	2,064,115	17,561	2,081,676	2,081,676	2,022,000	2,022,000	(59,676)
Support services	827,375	235	827,610	827,610	884,000	884,000	56,390
Non-instructional programs	5,421	76,595	82,016	82,016	102,000	102,000	19,984
Other expenditures	327,603	-	327,603	327,603	447,009	447,009	119,406
Total expenditures/expenses	<u>3,224,514</u>	<u>94,391</u>	<u>3,318,905</u>	<u>3,318,905</u>	<u>3,455,009</u>	<u>3,455,009</u>	<u>136,104</u>
Excess of revenues over expenditures/expenses	113,274	1,115	114,389	114,389	46,057	46,057	68,332
Other financing sources	-	801	801	801	-	-	-
Change in fund balance	113,274	1,916	115,190	115,190	46,057	46,057	68,332
Balance, beginning of year, as restated	739,005	(35,068)	703,937	703,937	630,393	630,393	73,544
Balance, end of year	<u>\$ 852,279</u>	<u>\$(33,152)</u>	<u>\$ 819,127</u>	<u>\$ 819,127</u>	<u>\$ 676,450</u>	<u>\$ 676,450</u>	<u>\$ 141,876</u>

See accompanying Independent Auditor's Report.

\*  
OLIN CONSOLIDATED SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt any budget amendments.

During the year ended June 30, 2015, expenditures in the instruction functional area exceeded the amount budgeted.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Iowa Public Employees' Retirement System  
Last Fiscal Year\*  
Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.015031 %
District's proportionate share of the net pension liability	\$ 608,322
District's covered-employee payroll	\$ 1,014,468
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.96%
Plan fiduciary net position as a percertnage of the total pension liability	87.61%

\*The amounts preseneted for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

OLIN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
Schedule of District Contributions  
Iowa Public Employees' Retirement System  
Last 10 Fiscal Years  
Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contributions	\$ 90,592	\$ 89,628	\$ 94,298	\$ 108,954	\$ 101,601	\$ 106,612	\$ 104,789	\$ 89,820	\$ 86,735	\$ 84,157
Contributions in relation to the statutorily required contribution	(90,592)	(89,628)	(94,298)	(108,954)	(101,601)	(106,612)	(104,789)	(89,820)	(86,735)	(84,157)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$1,014,468	\$1,003,673	\$1,087,635	\$1,350,112	\$1,461,885	\$1,603,188	\$1,650,220	\$1,484,628	\$1,508,435	\$1,463,600
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

See accompanying Independent Auditor's Report.

Olin Consolidated School District  
Notes to Required Supplementary Information – Pension Liability  
Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates

Olin Consolidated School District  
Notes to Required Supplementary Information – Pension Liability  
Year ended June 30, 2015

- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.



OLIN CONSOLIDATED SCHOOL DISTRICT  
Schedule of Funding Progress for the  
Retiree Health Plan  
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 65,120	\$ 65,120	\$ -	\$1,590,970	4.1%
2011	July 1, 2009	\$ -	\$ 56,183	\$ 56,183	\$ -	\$1,493,461	3.8%
2012	July 1, 2009	\$ -	\$ 56,183	\$ 56,183	\$ -	\$1,295,381	4.3%
2013	July 1, 2012	\$ -	\$ 58,982	\$ 58,982	\$ -	\$1,045,972	5.6%
2014	July 1, 2012	\$ -	\$ 58,982	\$ 58,982	\$ -	\$ 985,764	6.0%
2015	July 1, 2012	\$ -	\$ 58,982	\$ 58,982	\$ -	\$ 994,882	5.9%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## Supplementary Information

OLIN CONSOLIDATED SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015

Schedule 1

	Special Revenue			Capital Projects	
	Student	Management	Public Education & Recreation	Physical Plant and Equipment	
	<u>Activity</u>	<u>Levy</u>	<u>Levy</u>	<u>Levy</u>	<u>Total</u>
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$26,236	\$111,950	\$ 24,629	\$ 112,543	\$275,358
Receivables					
Property tax					
Delinquent	-	2,821	292	2,162	5,275
Succeeding year	-	125,000	11,815	87,517	224,332
Accounts receivable	-	6,643	-	-	6,643
Total assets	<u>\$26,236</u>	<u>\$246,414</u>	<u>\$ 36,736</u>	<u>\$ 202,222</u>	<u>\$511,608</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 4,215	\$ 4,215
Salaries and benefits payable	-	-	421	-	421
Total liabilities	<u>-</u>	<u>-</u>	<u>421</u>	<u>4,215</u>	<u>4,636</u>
Deferred inflows of resources					
Unavailable revenue					
Succeeding year property tax	-	125,000	11,815	87,517	224,332
Fund balances					
Restricted for					
Student activities	26,236	-	-	-	26,236
Management levy purposes	-	121,414	-	-	121,414
Public education and recreation	-	-	24,500	-	24,500
Physical plant and equipment	-	-	-	110,490	110,490
Total fund balances	<u>26,236</u>	<u>121,414</u>	<u>24,500</u>	<u>110,490</u>	<u>282,640</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$26,236</u>	<u>\$246,414</u>	<u>\$ 36,736</u>	<u>\$ 202,222</u>	<u>\$511,608</u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2015

Schedule 2

	<u>Special Revenue</u>			<u>Capital Projects</u>	
	<u>Student Activity</u>	<u>Management Levy</u>	<u>Public Education &amp; Recreation Levy</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Revenues					
Local sources					
Local taxes	\$ -	\$ 110,338	\$ 11,415	\$ 84,565	\$ 206,318
Other	12,768	3,611	16	69	16,464
State sources	-	49	5	38	92
Total revenues	<u>12,768</u>	<u>113,998</u>	<u>11,436</u>	<u>84,672</u>	<u>222,874</u>
Expenditures					
Current					
Instruction					
Regular	-	5,149	-	-	5,149
Other	<u>17,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,606</u>
Total instruction	<u>17,606</u>	<u>5,149</u>	<u>-</u>	<u>-</u>	<u>22,755</u>
Support services					
Administration	-	1,953	-	55,236	57,189
Operation and maintenance of plant	-	52,094	-	3,886	55,980
Transportation	<u>-</u>	<u>4,090</u>	<u>-</u>	<u>-</u>	<u>4,090</u>
Total support services	<u>-</u>	<u>58,137</u>	<u>-</u>	<u>59,122</u>	<u>117,259</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>5,421</u>	<u>-</u>	<u>5,421</u>
Other expenditures					
Facilities acquisition	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,930</u>	<u>20,930</u>
Total expenditures	<u>17,606</u>	<u>63,286</u>	<u>5,421</u>	<u>80,052</u>	<u>166,365</u>
Change in fund balances	(4,838)	50,712	6,015	4,620	56,509
Fund balances, beginning of year	<u>31,074</u>	<u>70,702</u>	<u>18,485</u>	<u>105,870</u>	<u>226,131</u>
Fund balances, end of year	<u>\$ 26,236</u>	<u>\$ 121,414</u>	<u>\$ 24,500</u>	<u>\$ 110,490</u>	<u>\$ 282,640</u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Combining Statement of Net Position  
Nonmajor Enterprise Funds  
June 30, 2015

Schedule 3

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
<b>Assets</b>			
Current assets			
Inventories	\$ 3,523	\$ -	\$ 3,523
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>17,111</u>	<u>-</u>	<u>17,111</u>
Total assets	<u>20,634</u>	<u>-</u>	<u>20,634</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	<u>2,984</u>	<u>-</u>	<u>2,984</u>
<b>Liabilities</b>			
Current liabilities			
Salaries and benefits payable	5,428	488	5,916
Unearned revenue	595	-	595
Due to other funds	<u>21,180</u>	<u>13,900</u>	<u>35,080</u>
Total current liabilities	27,203	14,388	41,591
Noncurrent liabilities			
Net pension liability	<u>9,125</u>	<u>-</u>	<u>9,125</u>
Total liabilities	<u>36,328</u>	<u>14,388</u>	<u>50,716</u>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	<u>6,054</u>	<u>-</u>	<u>6,054</u>
<b>Net Position</b>			
Net investment in capital assets	17,111	-	17,111
Unrestricted	<u>(35,875)</u>	<u>(14,388)</u>	<u>(50,263)</u>
Total net position	<u><u>\$(18,764)</u></u>	<u><u>\$(14,388)</u></u>	<u><u>\$(33,152)</u></u>

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2015

Schedule 4

	School <u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Operating revenue			
Local sources			
Charges for service	\$ 6,371	\$ 20,255	\$ 26,626
Operating expenses			
Instruction			
Regular			
Salaries	-	12,638	12,638
Benefits	-	4,923	4,923
	-	17,561	17,561
Support services			
Administration			
Purchased services	235	-	235
Non-instructional programs			
Salaries	29,348	-	29,348
Benefits	2,807	-	2,807
Supplies	41,554	-	41,554
Depreciation	2,886	-	2,886
	76,595	-	76,595
Total operating expenses	76,830	17,561	94,391
Operating income (loss)	(70,459)	2,694	(67,765)
Non-operating revenue			
State sources	678	-	678
Federal sources	68,202	-	68,202
Total non-operating revenue	68,880	-	68,880
Net income (loss) before capital contributions	(1,579)	2,694	1,115
Capital contributions	801	-	801
Net income (loss)	(778)	2,694	1,916
Net assets, beginning of year, as restated	(17,986)	(17,082)	(35,068)
Net assets, end of year	\$ (18,764)	\$ (14,388)	\$ (33,152)

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2015

Schedule 5

	School <u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from sale of services	\$ 6,402	\$ 20,498	\$ 26,900
Cash payments to employees for services	(34,286)	(20,498)	(54,784)
Cash payments to suppliers for goods and services	(37,930)	-	(37,930)
Net cash (used in) operating activities	<u>(65,814)</u>	<u>-</u>	<u>(65,814)</u>
Cash flows from non-capital financing activities			
State grants received	678	-	678
Federal grants received	65,136	-	65,136
Net cash provided by non-capital financing activities	<u>65,814</u>	<u>-</u>	<u>65,814</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	-	-	-
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Reconciliation of operating income (loss) to net cash  
(used in) operating activities**

Operating income (loss )	\$ (70,459)	\$ 2,694	\$ (67,765)
Adjustments to reconcile operating income (loss) to net cash (used in) operating activities			
Depreciation	2,886	-	2,886
Commodities used	4,692	-	4,692
(Increase) decrease in accounts receivable	-	243	243
(Increase) in inventory	(833)	-	(833)
Increase (decrease) in salaries and benefits payable	1,389	(2,348)	(959)
(Decrease) in due to other funds	(1,433)	(589)	(2,022)
Increase in unearned revenue	31	-	31
(Decrease) in pension liability	(5,157)	-	(5,157)
(Increase) in deferred outflows of resources	(2,984)	-	(2,984)
Increase in deferred inflows of resources	6,054	-	6,054
Net cash (used in) operating activities	<u>\$ (65,814)</u>	<u>\$ -</u>	<u>\$ (65,814)</u>

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2015, the District received \$4,692 of federal commodities.

See accompanying Independent Auditor's Report.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund  
Student Activity Accounts  
For the Year Ended June 30, 2015

Schedule 6

Account	Beginning of Year	Revenues	Expenditures	End of Year
Drama	\$ 1,173	\$ 491	\$ 1,664	\$ -
Band/vocal	1,139	-	-	1,139
PE super sport	134	-	124	10
ELP fundraising	178	-	178	-
Title I fundraising	130	-	130	-
School Projects	99	2,084	1,503	680
Interest	1,088	451	933	606
Concession stand	2,340	1,437	1,600	2,177
FFA	18,247	3,000	1,000	20,247
HS student council	441	-	441	-
Activity resale	574	2,337	2,911	-
School cents	886	-	886	-
Field trips	2,261	478	2,555	184
Wapsi League	984	-	984	-
Yearbook 2011-12	(1,255)	1,255	-	-
Yearbook 12-13	119	135	-	254
Class of 2012	130	-	130	-
6th Grade Fundraising	1,226	300	1,526	-
Library books fund	1,180	800	1,041	939
Totals	<u>\$ 31,074</u>	<u>\$ 12,768</u>	<u>\$ 17,606</u>	<u>\$ 26,236</u>

See accompanying Independent Auditor's Report.



OLIN CONSOLIDATED SCHOOL DISTRICT  
Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds  
For the Last Ten Years

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues</b>										
Local sources										
Local tax	\$ 1,514,808	\$ 1,463,873	\$ 1,611,422	\$ 1,497,148	\$ 1,457,251	\$ 1,352,394	\$ 1,328,377	\$ 1,289,067	\$ 1,221,115	\$ 1,261,054
Tuition	12,468	42,543	31,500	92,442	51,154	133,805	188,429	196,107	195,140	135,211
Other	66,725	81,725	94,878	236,854	273,046	102,399	180,461	202,653	181,100	157,115
State sources	1,675,469	1,564,085	1,301,057	1,418,099	1,257,472	1,006,187	1,331,417	1,295,023	1,238,393	1,149,570
Federal sources	68,318	73,958	88,882	111,012	184,912	254,257	118,313	115,255	110,762	108,852
<b>Total revenues</b>	<b>\$ 3,337,788</b>	<b>\$ 3,226,184</b>	<b>\$ 3,127,739</b>	<b>\$ 3,355,555</b>	<b>\$ 3,223,835</b>	<b>\$ 2,849,042</b>	<b>\$ 3,146,997</b>	<b>\$ 3,098,105</b>	<b>\$ 2,946,510</b>	<b>\$ 2,811,802</b>
<b>Expenditures</b>										
Current										
Instruction										
Regular	\$ 1,347,136	\$ 1,349,520	\$ 1,307,251	\$ 1,286,516	\$ 1,446,398	\$ 1,371,310	\$ 1,304,542	\$ 1,208,849	\$ 1,085,453	\$ 1,006,400
Special	545,700	555,689	445,331	378,894	410,257	554,873	407,573	373,021	445,043	334,170
Other	171,279	130,386	194,512	343,035	379,663	234,512	486,071	439,526	428,289	358,926
Support services										
Student	76,206	59,913	51,595	103,675	71,741	72,396	38,428	26,210	27,735	73,773
Instructional staff	24,232	21,412	15,218	30,255	75,853	51,656	43,600	32,795	39,805	51,793
Administration	316,218	308,195	310,421	360,585	291,169	284,596	304,201	269,966	254,561	268,665
Operation and maintenance of plant	241,125	246,395	214,373	216,482	226,800	239,362	251,808	235,720	230,471	221,176
Transportation	169,594	185,901	157,806	186,845	184,835	119,963	132,175	140,715	108,131	181,567
Non-instructional programs	5,421	6,285	6,036	6,119	25,363	4,260	7,893	10,504	7,132	6,872
Other expenditures										
Facilities acquisition	230,268	219,324	67,208	272,322	135,917	83,236	24,566	34,216	19,136	71,692
Long-term debt										
Principal	-	-	-	85,000	85,000	80,000	80,000	75,000	70,000	70,000
Interest and other charges	-	-	-	1,610	4,466	6,813	8,953	10,893	12,580	14,015
AEA flowthrough	97,335	95,355	89,989	91,170	101,975	100,743	97,205	93,442	91,381	89,392
<b>Total expenditures</b>	<b>\$ 3,224,514</b>	<b>\$ 3,178,375</b>	<b>\$ 2,859,740</b>	<b>\$ 3,362,508</b>	<b>\$ 3,439,437</b>	<b>\$ 3,203,721</b>	<b>\$ 3,187,015</b>	<b>\$ 2,950,857</b>	<b>\$ 2,819,717</b>	<b>\$ 2,748,441</b>

See accompanying Independent Auditor's Report.

# Kay L. Chapman, CPA PC

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Olin Consolidated School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Olin Consolidated School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated February 17, 2016.

## Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Olin Consolidated School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Olin Consolidated School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Olin Consolidated School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I

consider the deficiencies described in Part I of the accompanying Schedule of Findings as items A and B to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Olin Consolidated School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Olin Consolidated School District's Responses to the Findings

Olin Consolidated School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. Olin Consolidated School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Olin Consolidated School District during the course of my audit. Should you have any questions concerning any of the about matters, I shall be pleased to discuss them with you at your convenience.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
February 17, 2016

OLIN CONSOLIDATED SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2015

**Part I. Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES**

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performed the following duties: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

- B. Material Misstatement not Detected - During the course of my audit, I discovered material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The District did not record the correct amounts for the deferred outflows of resources, deferred inflows of resources, pension liability, pension expense or adjustment to beginning fund balance required by the implementation of GASB Statement No. 68 in the School Nutrition Fund. These omissions resulted in School Nutrition assets being overstated by \$12,938, deferred inflows of resources understated by \$1,344, expenses understated by \$14,282 and net fund balance overstated by \$14,282. Also the pension liability reported in the Long-Term Liabilities on the CAR was overstated by \$338,672.

Recommendation - An effective system of internal control should detect material misstatements in the District's financial records and financial reporting. The District

OLIN CONSOLIDATED SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2015

should review their control procedures and make appropriate changes to improve their internal controls to help eliminate this deficiency.

Response - We feel that our business manager has the knowledge needed to adequately perform her duties. The superintendent reviews some, but not all of the work performed and reports prepared by the business manager. We would like to hire additional office personnel to help with the business manager's workload and to provide more oversight and cross-checking of her work. However, with a limited budget, it is difficult to hire enough adequately-trained office personnel to review each other's work. We will review our procedures and consider making changes we deem necessary.

Conclusion - Response accepted.

**Part II. Other Findings Related to Required Statutory Reporting:**

1. Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the amount budgeted in the instruction functional area.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board. However, I noted that the minutes were not always submitted timely to the publisher in compliance with Chapter 279.35 of the Code of Iowa.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2015

Recommendation - The Code of Iowa states that the District must make available to the publisher the proceedings of all regular or special meetings, within two weeks of the adjournment of such meeting. I recommend the District submit the minutes to the publisher timely to comply with the Code of Iowa.

Response - This was an inadvertent oversight. We will make available the minutes of all meetings within the time limit required by the Code of Iowa.

Conclusion - Response accepted.

7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was certified timely to the Iowa Department of Education; however, there were some material misstatements as detailed in comment B in Part I of this Schedule of Findings.

Recommendation - The District should ensure that the CAR is correct when submitted.

Response - We will ensure that future CARs contain correct information when it is filed with the Iowa Department of Education.

Conclusion - Response accepted.

11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales,

OLIN CONSOLIDATED SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2015

2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 472,836
Revenues		
Statewide sales and services tax revenue	\$ 221,547	
Other local revenues	<u>298</u>	221,845
Expenditures/transfers out		
School infrastructure		
Equipment	39,228	
Other improvements	<u>209,338</u>	<u>248,566</u>
Ending balance		<u>\$ 446,115</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

13. Deficit Balance - The District had the following deficits at June 30, 2015:

- General Fund, unrestricted \$177,568
- Governmental Activities, unrestricted \$914,139
- Business Type Activities, unrestricted \$50,263
- Business Type Activities, total net position \$33,152
- Proprietary Fund, unrestricted \$50,263
- Proprietary Fund, total net position \$33,152
- School Nutrition Fund, unrestricted \$35,875
- School Nutrition Fund, total net position \$18,764
- Preschool Fund, unrestricted \$14,388
- Preschool Fund, total net position \$14,388

Recommendation - The District should investigate alternatives to eliminate these deficits in order to return this fund to a sound financial condition.

Response - The deficits in the proprietary funds, business type activities and School Nutrition Fund were a result, in part, of the implementation of GASB Statement No. 68 during the year ended June 30, 2015. The District is continuing to investigate alternatives to eliminate these deficits.

Conclusion - Response accepted.

OLIN CONSOLIDATED SCHOOL DISTRICT  
Audit Staff  
June 30, 2015

This audit was performed by

Kay Chapman, CPA  
Terri Slater, staff accountant